

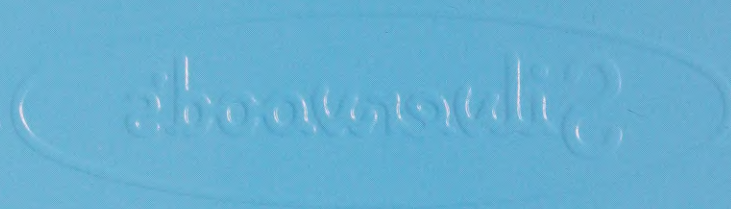
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Silverwood's

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# SILVERWOOD INDUSTRIES LIMITED

## Annual Report, FORTY WEEKS Ended January 3, 1971

While this report is the initial report in the name of Silverwood Industries Limited, it is the 68th annual report for the Company which operated prior to July 1, 1970 as Silverwood Dairies, Limited.

A Canadian owned company with 4,329 shareholders of which 4,256 or 98.3% are resident in Canada and own 99.3% of the total issued stock.

**Head Office — 75 Bathurst Street, London 15, Canada**

**Principal A, London 12, Canada**

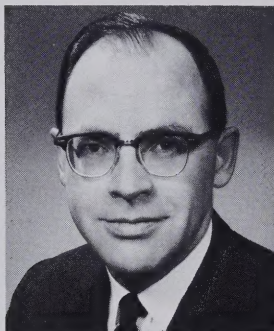
Administrative and technical printing matters necessitated the annual meeting date for the Corporation be set for May 11, 1971, in place of the May 4, 1971 date advised in the Preliminary Year End Report to Shareholders.

1971 — Forty Weeks ended January 3, 1971  
1970 — Twelve Months ended March 31, 1970

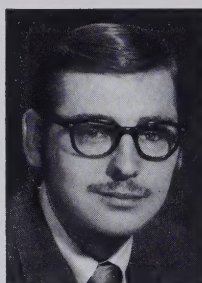
	<sup>*</sup> 1971	<sup>**</sup> 1970
	\$118,042,541	\$144,678,893
	\$ 1,409,910	\$ 1,885,299
	\$ 1,466,225	\$ 2,261,507
	\$ 806,622	\$ 1,075,498
	\$ .60	\$ .80
RATE PER CLASS "A" AND CLASS "B" SHARE		
CONSOLIDATED RETAINED EARNINGS RE-INVESTED IN BUSINESS TO DATE	\$ 14,731,582	\$ 14,071,979
SHAREHOLDER'S EQUITY	\$ 22,072,899	\$ 21,413,296
SHARES OUTSTANDING		
CLASS "A"	903,158	903,158
CLASS "B"	441,212	441,212
EQUITY PER CLASS "A" AND "B" SHARES	\$ 16.42	\$ 15.93
DEBENTURES OUTSTANDING	\$ 8,391,000	\$ 8,761,500
CONSOLIDATED FUNDS PROVIDED FROM OPERATIONS	\$ 3,864,945	\$ 5,374,616
CONSOLIDATED WORKING CAPITAL	\$ 3,355,441	\$ 4,249,573

# Chairman's Message

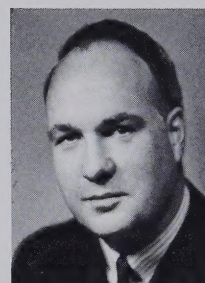
London, Canada, March 22, 1971



N. E. KAYE  
Chairman of the Board  
Chief Executive Officer



D. G. SILVERWOOD  
President



E. F. FINDLAY  
Executive Vice President

On behalf of the Board of Directors, it is my pleasure to present the 68th Annual Report of your Company, under its new name Silverwood Industries Limited.

The consolidated financial statements include the results of Silverwood Industries Limited, and its subsidiary companies, for a period of almost 40 weeks which began April 1, 1970 and ended January 3, 1971.

As explained in your Company's interim reports during the year, two major changes were made in connection with our fiscal periods:

1. Accounting systems and records were changed from calendar months to four-week periods in order to streamline electronic data processing and provide more rapid and effective use of information by management.
2. The year-end was changed from the long-standing date of March 31, to a date corresponding with the close of the December four-week accounting period, which resulted in a year-end of January 3, 1971 for this Annual Report.

Because of these changes, it is difficult to compare the results of this shorter period with the previous year in the usual manner. Eventually we will be able to resume the normal practice of measuring one full year against another. On this occasion, however, the best we can do is to use the most reasonable and logical comparisons available and therefore, I am including in this message various important highlights set out in two different tables as follows:

TABLE I

	Approximately ¾ year covered by this Report ended January 3, 1971	Previous year of 12 months ended March 31, 1970	Percentage of this ¾ year to previous full year
Period covered .....	40 weeks (precisely 278 calendar days)	12 months (precisely 365 calendar days)	76.16%
Sales .....	\$118,042,541	\$144,678,893	81.59%
Sales (showing previous year adjusted downward by amount of Vancouver home service routes sold in February, 1970)	\$118,042,541	\$141,341,971	83.52%
Net operating income before minority interest .....	\$ 1,487,203	\$ 1,902,233	78.18%
Net operating income after minority interest .....	\$ 1,409,910	\$ 1,885,299	74.78%
Extraordinary items .....	\$ 56,315	\$ 376,208	14.96%
Net income after extraordinary items .....	\$ 1,466,225	\$ 2,261,507	64.83%
Earnings per share —			
Class "A" and Class "B"			
Before extraordinary items .....	\$ 1.05	\$ 1.40	75.00%
After extraordinary items .....	\$ 1.09	\$ 1.68	64.88%



TABLE II

	40 weeks ended January 3, 1971	Equivalent figures for 9 months ended December 31, 1969 (not audited)	Percentage change
Sales .....	\$118,042,541	\$107,399,689	+ 9.91%
Sales (showing 1969 figures adjusted downward by amount of Vancouver home service routes sold in February, 1970)	\$118,042,541	\$104,391,292	+13.07%
Net operating income before minority interest .....	\$ 1,487,203	\$ 1,662,544	—10.55%
Net operating income after minority interest .....	\$ 1,409,910	\$ 1,632,155	—13.62%
Extraordinary items .....	\$ 56,315	\$ 4,830	
Net income after extraordinary items .....	\$ 1,466,225	\$ 1,636,985	—10.43%
Earnings per share —			
Class "A" and Class "B"			
Before extraordinary items .....	\$ 1.05	\$ 1.21	—13.22%
After extraordinary items .....	\$ 1.09	\$ 1.22	—10.66%

Sales continued to increase substantially and, on a comparative basis, set a record high. As shown in Table II, the increase amounted to 9.91%, or after adjusting for the disposal of Vancouver home service routes the increase amounted to 13.07%.

Consolidated net income after taxes, minority interest and extraordinary items was \$1,466,225 and, as shown in Table II, comparing this with equivalent figures of \$1,636,985 for the corresponding period of the previous year shows a decrease of \$170,760, or 10.43%. This reflects a considerable improvement over the profit position of September 13, 1970 as shown in the last interim report as at that date, when the profit decline was 17.34%.

Part of this improvement resulted from the customary year-end write-back of excess provisions set up under an expense accrual system. Nevertheless, the remainder of the encouraging change in the profit trend and the final results for the shorter fiscal year reflect the attentiveness of an effective management team in overcoming a number of formidable obstacles. The enormous task of bringing Canada's largest and most modern ice cream manufacturing plant, located on the Macdonald-Cartier highway (401) at London, into full efficient operation was a difficult and costly experience. Preparing and launching a program of Mac's convenience stores in Western Canada imposed substantial expenses which were absorbed as incurred during the period. Wage rates and many expense items, closely associated with our industry, continued to rise sharply but, conversely, owing to various external influences, it was not considered prudent nor advisable, in the main, to endeavour to obtain relief through increased selling prices during 1970. Although the aforementioned factors created severe downward pressures on profit margins, most of the short-fall was offset by constant efforts to operate with the greatest possible efficiency.

During the period of approximately 9 months covered by this report, the dividends totalling 60¢ per share, paid on both Class "A" and Class "B" shares, were at the same quarterly rate as the 80¢ per share paid during the 12 months of the previous year. Your Company distributed 55.0% (previous year 47.6%) of earnings in dividends, and reinvested 45.0% (previous year 52.4%) in the business. Consolidated retained earnings at January 3, 1971 reached a new high of \$14,731,582 (March 31, 1970 — \$14,071,979).

The gross book value of capital assets was \$54,074,336 (previous year \$51,104,084). Accumulated depreciation was \$26,072,892 (previous year \$24,703,059). Net capital expenditures are shown in the "Source and Application of Funds" as \$3,874,289 for the period compared with \$2,681,228 for the previous year. While this would indicate an increase in funds expended for new capital items, the reverse was the case, and actual capital expenditures for these items during the 40 weeks under review were roughly  $\frac{3}{4}$  of the corresponding expenditures in the previous year. Several transactions account for this peculiarity in figures:

- (i) In the year ended March 31, 1970, close to one-half million dollars of truck equipment was purchased by a newly formed leasing company, Kayesil Limited, but, during the 40 week period under review, the leasing company became a wholly owned subsidiary of Silverwood Industries Limited. Consequently, last year's total capital expenditures figure was lower and this year's figure was higher by the amount mentioned above.
- (ii) In the year ended March 31, 1970, various capital assets in Vancouver were sold with the home service routes. The principal items were home service trucks and a fairly new distribution depot. Disposal of these assets decreased the net capital expenditures figure in that year.



(iii) In the year ended March 31, 1970 some properties were sold (e.g. Sarnia land) which reduced the net capital expenditures figure in that year.

Capital expenditures for the period ended January 3, 1971, in both the dairy divisions and store division continued to be under thorough scrutiny and control, and as stated above, the actual total expended for fixed assets was lower than in the previous year.

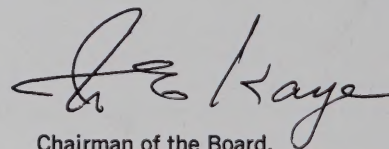
In the dairy divisions a great deal of logical and practical analyzing was carried out on various operating segments, which will be used advantageously in planning and implementing future courses of action. In April, 1970 Caledonia Branch, which manufactured butter and skim milk powder by the roller-dried method, was closed because developments and changing circumstances made it obvious that continuing this operation would have caused a drain on your Company's profits and resources. In May, 1970, arrangements were completed for the transfer of the home service routes of the Borden Company in Hamilton and Donlands Dairy in Toronto to our branches in these markets at nominal costs. This is in line with our policy of strengthening home service business where circumstances and potential results justify such action. The ice cream business of Buttercup Limited, acquired on April 1, 1970 as mentioned in last year's Annual Report was assimilated completely by our branches in St. Catharines and Hamilton. By August, 1970 all of our home service routes in Metropolitan Toronto were operating out of two plants only (Norseman Branch in the west end and Scarborough Branch in the east end), and all wholesale milk distribution was being made from one plant only (Dupont Branch in the central part of the city). The results of these changes in Toronto will be improved service, greater efficiency and increased productivity. The foregoing are some examples of the continuing effort, and indeed necessity, to improve, streamline and alter operations to meet the constantly changing circumstances in the dairy industry.

In the convenience store division, the changes were quite pronounced. By January 3, 1971 the number of convenience stores, operated by your Company under its majority ownership of Mac's Milk Limited, had reached 314, compared with a total of 282 outlets at March 31, 1970. The 314 stores at January 3, 1971 were in five provinces of Canada — 19 in the Vancouver area of British Columbia, 8 in Calgary, Alberta, 16 in the Winnipeg area of Manitoba, 270 in Ontario municipalities, and 1 in Hull, Quebec. Included in the total of 314 stores were 76 outlets operating on a franchise basis, compared with 37 stores under franchise at March 31, 1970. Expansion proceeded on a carefully planned basis with a view particularly toward the longer-term growth opportunities.

It was mentioned in last year's Annual Report that Directors were considering the advisability of establishing an executive stock purchase plan. Previous studies on this were postponed for a time but a plan for senior officers is again under review. As another point of interest, we are pleased to report that during 1970, the A. E. Silverwood Foundation extended bursaries to 35 students taking university courses, and to 4 nurses taking post-graduate studies in nursing education or nursing science administration. The Foundation also made contributions to a number of organizations to assist in medical research or active treatment.

In the time-span covered by this report, the changes, developments and problems have been most challenging. These circumstances have served indeed to weigh and measure the expertise of your management team in coping with contemporary events and planning for the future. Results indicate that a high level of proficiency existed in these areas. The management of your Company is conscious of future requirements, fully expects to reach objectives, and is quite confident that satisfactory progress and increasing earnings can and will be achieved.

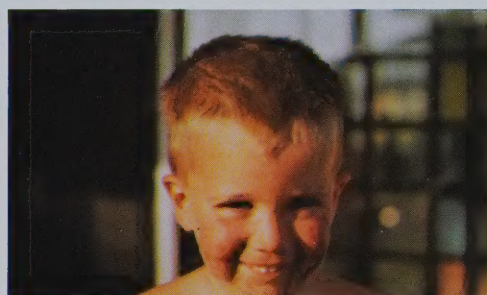
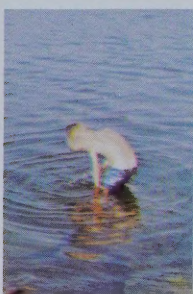
At this time we extend our very sincere appreciation to all shareholders, to all employees, and to our many thousands of customers for their loyalty and support. Continuation of these valued relationships, along with dedication on the part of the executive-management people, will assure the ongoing development, growth and success of your Company.



Chairman of the Board,  
Chief Executive Officer

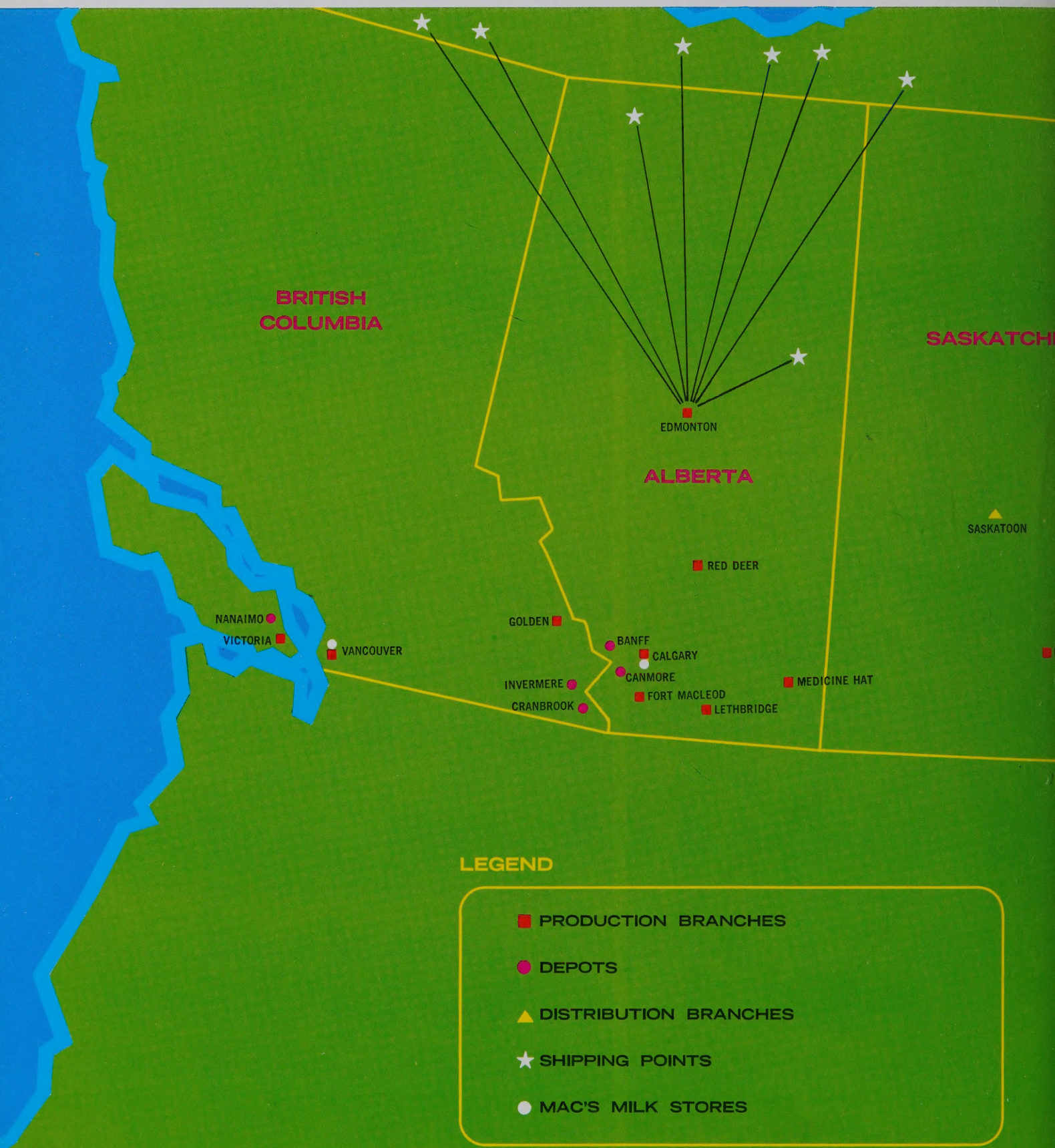


Silverwood's





# Silverwoods in Canada





NORTH WEST TERRITORIES

THOMPSON  
★  
MANITOBA

BRANDON  
WINNIPEG

ONTARIO

QUEBEC

U.S.A.

The consolidation of the dairy operations to provide a complete line of quality dairy products in all markets served by the company is a continuing plan. Along with this consolidation is the expansion of our convenience stores moving into all areas of our business operations.

SAULT STE. MARIE  
SUDBURY  
NORTH BAY  
BRACEBRIDGE  
MIDLAND  
GRILLIA  
CARGILL  
LUCKNOW  
ELMIRA  
WATERLOO  
STRATFORD  
SARNIA  
CHATHAM  
WINDSOR  
TILBURY  
LEAMINGTON  
KINGSVILLE  
WOODSTOCK  
LONDON  
NORWICH  
ST. THOMAS  
BRAMPTON  
GEORGETOWN  
MILTON  
HAMILTON  
PRESTON  
BRANFORD  
STONE CREEK  
LINDSAY  
PETERBOROUGH  
KINGSTON  
UNIONVILLE  
MARKHAM  
AURORA  
NOBLETON  
WOODBRIDGE  
MALTON  
BELLEVILLE  
OSHAWA  
WHITBY  
PICKERING  
AJAX  
BAY RIDGES  
SCARBOROUGH  
TORONTO  
PORT CREDIT  
MISSISSAUGA  
COOKSVILLE  
CLARKSON  
OAKVILLE  
BURLINGTON  
DUNDAS  
ST. CATHARINES  
BEAMSVILLE



# SILVERWOOD INDUSTRIES LIMITED

## Company Officers

N. E. Kaye	- - - - -	Chairman of the Board Chief Executive Officer
E. G. Silverwood	- - - - -	Honorary Chairman of the Board
D. G. Silverwood	- - - - -	President
E. F. Findlay	- - - - -	Executive Vice President
R. G. Pardy	- - - - -	Vice President — Finance
H. T. Spettigue	- - - - -	Vice President — Plant Facilities and Technology
C. L. Tulloch	- - - - -	Vice President — Market and Product Planning - Dairy Divisions
W. I. Barton	- - - - -	Secretary-Treasurer
F. P. Higgs	- - - - -	Controller
A. E. Lawrence, Jr.	- - - - -	Assistant Treasurer
C. E. McArthur	- - - - -	Assistant Secretary

## Transfer Agents

The Canada Trust Company — Toronto - Calgary - Vancouver

## Auditors

Clarkson, Gordon & Co., Chartered Accountants

## Subsidiary Companies

### Operating

#### Dairy Division

Canmore Dairy Ltd. — Canmore, Alberta  
Milum Dominion Dairy Limited — Golden, B.C.  
Valley Milk Ltd. — Invermere, B.C.  
Londonderry Distributors Limited — Toronto, Ontario

#### Convenience Store Division

Mac's Milk Limited and its subsidiaries  
Good Neighbor Food Stores Limited  
Normandy Kitchens Limited  
Head Office — Toronto, Ontario

#### Leasing Division

Kayesil Limited — London, Ontario

### Non Operating

Central Creameries Limited  
Coast Fountain Supplies Ltd.  
Crystal Dairy Limited  
Jersey Farms Limited  
Kwik Shops Limited  
Kwik Stop Shops Limited  
Milky Way Stores (1969) Limited  
Northwestern Creamery Limited  
Silverwood Dairies Limited  
Unigro Finance Ltd.  
Union Milk Company Limited  
United Dairies Limited  
Uplands Dairy Shops (1967) Limited



## directors

*as at January 3, 1971*

### Other Affiliations of Directors:

#### Peter V. V. Betts, Q.C.

Partner: Robarts, Betts, McLennan & Flinn

#### A. E. Lawrence Sr.

Director: Dumoulin, Moore & Duffield Limited

#### K. C. McGowen

President: Mac's Milk Limited

#### J. Allyn Taylor

Chairman of the Board and President:  
Canada Trust Company - Huron & Erie

Director: Canadian General Investments Limited,  
Canadian Reinsurance and Reassurance Companies,  
General Products Manufacturing Corporation Limited,  
John Labatt Limited,  
London Life Insurance Company,  
Supertest Petroleum Corporation Limited,  
T.I. Industries Limited.

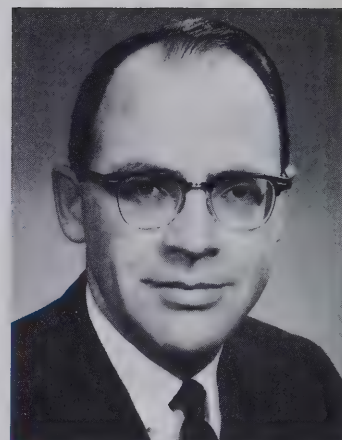
#### Donald H. Thain

Professor: School of Business Administration,  
University of Western Ontario.

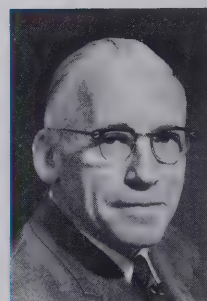
#### David B. Weldon

Chairman of the Board:  
Midland-Osler Securities Limited

Vice President and Director:  
Goderich Elevator and Transit Co. Ltd.  
Director: Commonwealth Holiday Inns of Canada  
Limited, Emco Limited, Glendale Mobile Homes  
Limited, Inter-City Gas Limited.



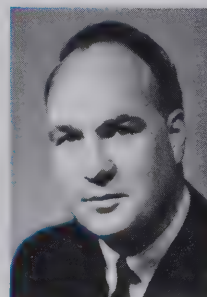
N. E. KAYE\*  
London, Ontario



E. G. SILVERWOOD  
London, Ontario

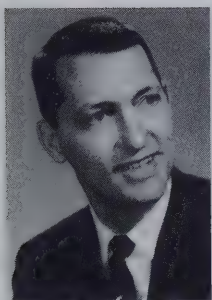


D. G. SILVERWOOD\*  
London, Ontario

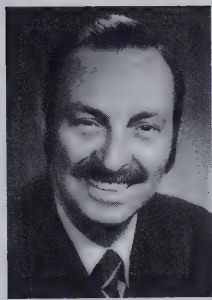


E. F. FINDLAY\*  
London, Ontario

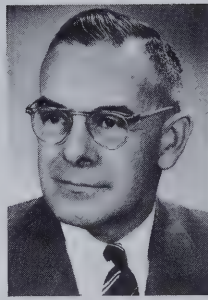




R. G. PARDY\*  
London, Ontario



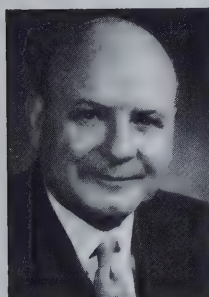
P. V. V. BETTS, Q.C.\*  
London, Ontario



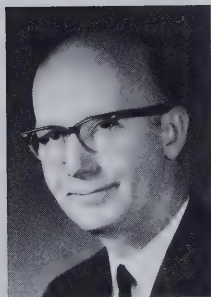
A. E. LAWRENCE SR.  
London, Ontario



J. A. TAYLOR\*  
London, Ontario



H. T. SPETTIGUE\*  
London, Ontario



G. M. CARLYLE  
Calgary, Alberta



A. E. LAWRENCE JR.  
London, Ontario



D. H. THAIN\*  
London, Ontario



C. L. TULLOCH  
London, Ontario



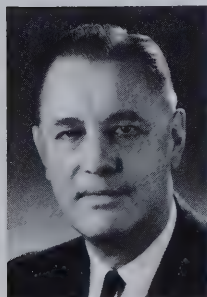
J. H. GILLIES\*  
London, Ontario



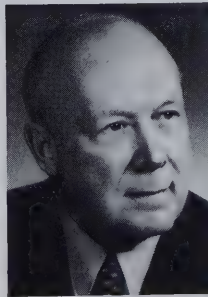
K. C. McGOWEN  
Toronto, Ontario



DAVID B. WELDON  
London, Ontario



W. I. BARTON\*  
London, Ontario



L. R. GRAY  
London, Ontario

\* Member of the Executive Committee

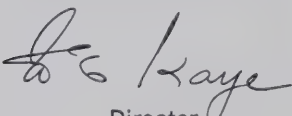
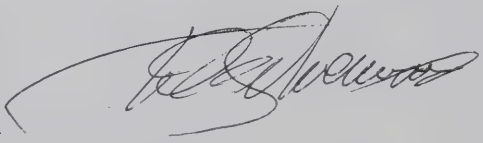


# consolidated balance sheet - January 3, 1971

(with comparative amounts at March 31, 1970)

SILVERWOOD INDUSTRIES LIMITED (formerly Silverwood Dairies, Limited)  
(Incorporated under the laws of Ontario) and its subsidiary companies

## assets

	January 3, 1971	March 31, 1970
<b>Current:</b>		
Cash .....	\$ 567,871	\$ 1,325,493
Short term deposits .....		100,000
Marketable securities — at cost (approximate market value 1971 — \$790,000; 1970 — \$701,100) .....	943,875	943,875
Trade accounts and other receivables (less allowance for doubtful accounts — 1971 — \$647,877; 1970 — \$549,879) .....	8,212,155	7,324,268
Inventories — at the lower of cost or net realizable value (see note 3) .....	8,756,512	7,571,695
Prepaid expenses .....	818,316	946,618
	<u>19,298,729</u>	<u>18,211,949</u>
<b>Fixed — (see note 4):</b>		
Land, buildings, equipment and leasehold improvements — substantially at cost .....	54,074,336	51,104,084
Less accumulated depreciation and amortization .....	26,072,892	24,703,059
	<u>28,001,444</u>	<u>26,401,025</u>
<b>Sundry:</b>		
Deferred expenses and other assets .....	1,174,549	1,272,837
Goodwill and route lists — at cost (see note 8) .....	3,740,446	3,575,818
Expenses in connection with debentures issued, less amortization .....	341,698	291,320
	<u>5,256,693</u>	<u>5,139,975</u>
On behalf of the Board		
 Director	 Director	
	<u>\$52,556,866</u>	<u>\$49,752,949</u>

(See accompanying notes to



## liabilities

	January 3, 1971	March 31, 1970
<b>Current:</b>		
Due to bankers .....	\$ 3,294,753	\$ 1,242,392
Accounts payable — milk and cream producers .....	3,588,586	3,444,138
Other accounts payable and accrued charges .....	7,867,186	7,089,574
Income taxes payable .....	387,889	1,090,968
Employees' tax deductions and realty taxes payable .....	513,933	552,129
Dividends payable April 1, 1970 .....		268,767
Principal instalments on debentures and other deferred liabilities due within one year .....	290,941	274,408
	<u>15,943,288</u>	<u>13,962,376</u>
<b>Debentures payable and other deferred liabilities</b> (see notes 5 and 6) .....	10,670,617	10,696,847
<b>Deferred income taxes</b> .....	3,718,950	3,610,250
<b>Minority interest in subsidiary companies</b> .....	151,112	70,180
<b>Shareholders' equity:</b>		
<b>Capital —</b>		
Class "A" shares without par value entitled to cumulative, preferential dividends of 60¢ per share per annum, payable quarterly, and after the Class "B" shares have received 60¢ per share in any one year to further participation rateably with Class "B" shares; entitled in liquidation to a priority of \$15 per share —		
Class "B" shares without par value —		
	Class "A"	Class "B"
Authorized .....	1,000,000 shs.	500,000 shs.
Issued .....	903,158 shs.	441,212 shs.
		7,341,317
		<u>7,341,317</u>
<b>Consolidated retained earnings</b> (see note 6) .....	14,731,582	14,071,979
	<u>22,072,899</u>	<u>21,413,296</u>
	<u>\$52,556,866</u>	<u>\$49,752,949</u>

onsolidated financial statements)



## consolidated statement of income

Forty weeks ended January 3, 1971 (with comparative amounts for the year ended March 31, 1970)

SILVERWOOD INDUSTRIES LIMITED (formerly Silverwood Dairies, Limited) and its subsidiary companies

	January 3, 1971	March 31, 1970
Sales .....	\$118,042,541	\$144,678,893
Less:		
Cost of materials and production expenses .....	83,867,980	102,069,275
Selling, administrative and general expenses .....	28,155,089	34,790,050
Depreciation and amortization .....	2,290,020	2,827,859
Interest (including interest on short term debt — 1971 — \$154,394; 1970 — \$119,596) .....	752,749	831,476
	<u>115,065,838</u>	<u>140,518,660</u>
Income before taxes on income .....	<u>2,976,703</u>	<u>4,160,233</u>
Taxes on income:		
Current .....	1,380,800	1,931,750
Deferred .....	108,700	326,250
	<u>1,489,500</u>	<u>2,258,000</u>
Consolidated net income before minority interest .....	<u>1,487,203</u>	<u>1,902,233</u>
Minority interest in income of subsidiary companies (net) .....	<u>77,293</u>	<u>16,934</u>
Consolidated net income before extraordinary items .....	<u>1,409,910</u>	<u>1,885,299</u>
Add extraordinary items:		
Gain on sale of fixed assets and goodwill .....		306,282
Gain on redemption of debentures .....	56,315	69,926
	<u>56,315</u>	<u>376,208</u>
Consolidated net income for period (see note 2) .....	<u>\$ 1,466,225</u>	<u>\$ 2,261,507</u>
Earnings per Class "A" and "B" shares:		
Before extraordinary items (1971 — 40 weeks; 1970 — 52 weeks) .....	<u>\$1.05</u>	<u>\$1.40</u>
After extraordinary items (1971 — 40 weeks; 1970 — 52 weeks) .....	<u>\$1.09</u>	<u>\$1.68</u>

(See accompanying notes to the consolidated financial statements)



## consolidated statement of retained earnings

Forty weeks ended January 3, 1971 (with comparative amounts for the year ended March 31, 1970)

SILVERWOOD INDUSTRIES LIMITED (formerly Silverwood Dairies, Limited) and its subsidiary companies

	January 3, 1971	March 31, 1970
Balance, beginning of period .....	\$14,071,979	\$12,885,970
Add consolidated net income for period (see note 2) .....	1,466,225	2,261,507
	<u>15,538,204</u>	<u>15,147,477</u>
Deduct:		
Dividends declared (60¢ per share during forty weeks ended January 3, 1971; 80¢ per share during fifty-two weeks ended March 31, 1970) —		
Class "A" .....	541,895	722,530
Class "B" .....	264,727	352,968
	<u>806,622</u>	<u>1,075,498</u>
Balance, end of period .....	<u>\$14,731,582</u>	<u>\$14,071,979</u>

(See accompanying notes to the consolidated financial statements)



## consolidated statement of source and application of funds

Forty weeks ended January 3, 1971 (with comparative amounts for the year ended March 31, 1970)

SILVERWOOD INDUSTRIES LIMITED (formerly Silverwood Dairies, Limited) and its subsidiary companies

	January 3, 1971	March 31, 1970
Source of funds:		
Operations —		
Consisting of:		
Consolidated net income for year .....	\$1,466,225	\$2,261,507
Amounts deducted in arriving at the above net income, not an outlay of funds —		
Depreciation and amortization .....	2,290,020	2,827,859
Deferred income taxes .....	108,700	285,250
	3,864,945	5,374,616
Proceeds from receipt of term note payable to bankers .....	500,000	1,000,000
	4,364,945	6,374,616
Application of funds:		
Additions to the companies' plant and equipment (net) .....	3,874,289	2,681,228
Dividends to shareholders .....	806,622	1,075,498
Provision for retirement of debentures and reduction of other deferred liabilities (net) .....	526,230	588,063
Increase in sundry assets (net) .....	46,297	390,543
Investment in subsidiary companies (including working capital deficits of subsidiaries at date of acquisition) .....	5,639	492,868
	5,259,077	5,228,200
Increase (decrease) in consolidated working capital .....	(894,132)	1,146,416
Consolidated working capital, beginning of period .....	4,249,573	3,103,157
Consolidated working capital, end of period .....	\$3,355,441	\$4,249,573

(See accompanying notes to the consolidated financial statements)



# notes to the consolidated financial statements *January 3, 1971*

SILVERWOOD INDUSTRIES LIMITED (formerly Silverwood Dairies, Limited) and its subsidiary companies

## 1. Acquisition of subsidiaries

During the period the company acquired the balance of the issued shares of Valley Milk Ltd. and Kayesil Limited.

The company also purchased a 90% interest in a newly incorporated company, Londonderry Distributors Limited.

## 2. Principles of consolidation

The accompanying consolidated financial statements include the accounts of all subsidiary companies in which Silverwood Industries Limited or its subsidiaries owned an equity interest in excess of 50% at the respective fiscal year ends with appropriate provision for minority interest. Operating results of subsidiaries acquired are included only from the date of acquisition.

The convenience store operations accounted for gross sales of \$41,623,466 for the forty weeks ended January 3, 1971.

## 3. Inventories

This consists of:	January 3, 1971	March 31, 1970
Retail stores inventory .....	\$3,105,457	\$2,550,547
Dairy products .....	2,346,063	2,122,946
Stores and supplies .....	3,304,992	2,898,202
	<u>\$8,756,512</u>	<u>\$7,571,695</u>



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#### 4. Fixed assets

This consists of:		Estimated useful life	January 31, 1971	March 31, 1970
Land .....			\$ 2,119,465	\$ 2,121,165
Buildings .....	20-50 years		12,139,928	11,961,797
Machinery and equipment .....	10 years		16,351,229	16,034,983
Merchandising equipment .....	12 years		11,806,594	10,651,001
Delivery equipment .....	7 years		9,973,105	8,839,282
Leasehold improvements .....	term of lease		1,684,015	1,495,856
			54,074,336	51,104,084
Less accumulated depreciation and amortization .....			26,072,892	24,703,059
			\$28,001,444	\$26,401,025

	January 3,	March 31,
5. Debentures payable and other deferred liabilities		

5. Debentures payable and other deferred liabilities	January 3, 1971	March 31, 1970
7¼% sinking fund debentures Series A, due July 5, 1986 (sinking fund payment of \$400,000 per annum) .....	\$ 8,391,000	\$ 8,761,500
7¾% (8¾% in 1970) note payable to bankers due June 30, 1972 .....	1,500,000	1,000,000
Notes payable .....	391,240	781,725
Mortgages payable .....	547,828	341,945
Lease deposits .....	131,490	86,085
	<u>10,961,558</u>	<u>10,971,255</u>
Less portion due within one year included in current liabilities (net of debentures redeemed in advance) .....	290,941	274,408
	<u>\$10,670,617</u>	<u>\$10,696,847</u>

Maturities and sinking fund requirements during the next five fiscal years are as follows:

January 2, 1972 .....	\$ 290,941	
December 31, 1972 .....	2,131,639	(including note payable to bankers of \$1,500,000)
December 30, 1973 .....	609,576	
December 29, 1974 .....	543,319	
December 28, 1975 .....	449,076	



## 6. Restrictions on payment of dividends

On April 16, 1970 the company obtained the approval of the debenture-holders to amend the 6½% sinking fund debentures Series A. The amendments provide a greater degree of flexibility to the company in dealing with its subsidiaries. In addition the interest rate was increased to 7¼% effective January 6, 1970.

Under the provisions of the amended Trust Indenture securing the 7¼% sinking fund debentures, the company cannot declare or pay any dividends (other than stock dividends and dividends at the rate of 60¢ per share per annum on the outstanding Class "A" shares of the company) when:

- (a) consolidated net current assets (as therein defined) of the company and its designated subsidiaries are less than, or would thereby be reduced to less than \$2,500,000 and
- (b) the consolidated retained earnings of the company and its designated subsidiaries will be less than the lesser of 75% of the principal amount of all funded obligations of the company and its designated subsidiaries or \$7,500,000.

## 7. Lease agreements and commitments

Silverwood Industries Limited and its subsidiary companies have entered into agreements to lease equipment and properties for various periods up to 1990 at total maximum aggregate net rentals of approximately \$14,350,000. The maximum net rentals which will be charged to consolidated operations in the ordinary course of business during the next five years will amount to approximately \$1,800,000 per annum.

## 8. Goodwill and route lists

This consists of route lists and excess of purchase price of shares of subsidiary companies over net book value of the underlying assets acquired. During the forty weeks ended January 3, 1971 goodwill increased by \$164,628.

## 9. Executive remuneration

Remuneration to directors and senior officers of the company was \$294,738 for the forty week period ended January 3, 1971.

## 10. Pensions

As at January 3, 1971 the companies' liability in respect of past service pension benefits not provided for in the attached consolidated financial statements amounted to approximately \$250,000. It is the intention of the companies to provide for and pay this liability in equal annual instalments over the next nineteen fiscal periods.

## auditors' report

To the Shareholders of Silverwood Industries Limited:

We have examined the consolidated balance sheet of Silverwood Industries Limited (formerly Silverwood Dairies, Limited) and its subsidiary companies as at January 3, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the forty weeks ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 3, 1971, the results of their operations and the source and application of their funds for the forty weeks ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada.  
February 19, 1971.

CLARKSON, GORDON & CO.  
Chartered Accountants.



# ten year comparative summary

1971 — Forty weeks ended January 3, 1971

1962-70 — Each year is a 12 month period ended March 31

FISCAL PERIOD	1971 (Forty Weeks)	1970	1969	1968
SALES	\$118,042,541	\$144,678,893	\$125,956,843	\$99,805,847
CONSOLIDATED NET INCOME BEFORE EXTRAORDINARY ITEMS	\$ 1,409,910	\$ 1,885,299	\$ 1,823,393	\$ 1,697,382
CONSOLIDATED NET INCOME FOR PERIOD	\$ 1,466,225	\$ 2,261,507	\$ 2,094,577	\$ 2,023,326
CONSOLIDATED NET INCOME FOR EACH CLASS "A" AND "B" SHARE BEFORE EXTRAORDINARY ITEMS	\$ 1.05	\$ 1.40	\$ 1.36	\$ 1.26
CONSOLIDATED NET INCOME FOR EACH CLASS "A" AND "B" SHARE FOR PERIOD	\$ 1.09	\$ 1.68	\$ 1.56	\$ 1.51
DIVIDENDS	\$ 806,622	\$ 1,075,498	\$ 1,075,498	\$ 1,075,495
PER CLASS "A" SHARE	.60	.80	.80	.80
PER CLASS "B" SHARE	.60	.80	.80	.80
PERCENTAGE OF CONSOLIDATED EARNINGS PAID IN DIVIDENDS	55.0%	47.6%	51.3%	53.2%
CONSOLIDATED EARNINGS RE-INVESTED IN THE BUSINESS	\$ 659,603	\$ 1,186,009	\$ 1,019,079	\$ 947,831
PERCENTAGE OF CONSOLIDATED EARNINGS RE-INVESTED IN THE BUSINESS	45.0%	52.4%	48.7%	46.8%
CAPITAL INVESTED				
LONG TERM DEBT	\$ 10,670,617	\$ 10,696,847	\$ 9,677,792	\$ 9,923,198
SHAREHOLDERS' EQUITY	\$ 22,072,899	21,413,296	20,227,287	19,165,244
TOTAL	\$ 32,743,516	\$ 32,110,143	\$ 29,905,079	\$29,088,442
PERCENTAGE OF SHAREHOLDERS' EQUITY TO TOTAL INVESTMENT	67.4%	66.7%	67.6%	65.9%
SHAREHOLDERS' EQUITY PER SHARE	\$ 16.42	\$ 15.93	\$ 15.05	\$ 14.26
CONSOLIDATED WORKING CAPITAL JANUARY 3 (MARCH 31/1962-70)	\$ 3,355,441	\$ 4,249,573	\$ 3,103,157	\$ 7,683,550

SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED

1967	1966	1965	1964	1963	1962
\$90,790,724	\$61,956,835	\$53,512,422	\$51,914,455	\$48,017,229	\$45,642,340
\$ 1,667,497	\$ 1,535,809	\$ 1,556,958	\$ 1,525,583	\$ 1,342,021	\$ 1,315,097
\$ 1,731,052	\$ 1,559,984	\$ 1,583,590	\$ 1,543,919	\$ 1,400,910	\$ 1,333,628
\$ 1.24	\$ 1.16	\$ 1.23	\$ 1.22	\$ 1.09	\$ 1.10
\$ 1.29	\$ 1.18	\$ 1.25	\$ 1.23	\$ 1.14	\$ 1.12
\$ 1,070,570	\$ 991,413	\$ 882,228	\$ 840,326	\$ 735,464	\$ 695,704
.80	.77½	.70	.67½	.60	.60
.80	.77½	.70	.67½	.60	.60
61.8%	63.3%	55.7%	54.4%	52.5%	52.2%
\$ 660,482	\$ 568,571	\$ 701,362	\$ 703,593	\$ 665,446	\$ 637,924
38.2%	36.7%	44.3%	45.6%	47.5%	47.8%
\$10,345,957	\$ 2,950,796	\$ 1,124,500	\$ 1,563,000	\$ 1,839,500	\$ 2,549,000
18,227,609	17,320,583	15,254,797	14,415,951	13,473,744	12,388,885
\$28,573,566	\$20,271,379	\$16,379,297	\$15,978,951	\$15,313,244	\$14,937,885
63.8%	85.4%	93.1%	90.2%	88%	82.9%
\$ 13.56	\$ 13.12	\$ 12.07	\$ 11.52	\$ 10.94	\$ 10.37
\$ 7,700,429	\$ 2,509,365	\$ 4,880,322	\$ 3,993,444	\$ 3,963,821	\$ 3,614,882

SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED SILVERWOOD INDUSTRIES LIMITED



# The London Ice Cream Manufacturing Plant

Completion of the fully automated ice cream manufacturing plant on the Macdonald-Cartier (401) Highway in the outskirts of London, Ontario became a reality in August, 1970. The final stage of the ice cream mix manufacture department was completed at that time.



Receiving milk from bulk tanker.

The plant handles all phases of ice cream and ice milk manufacture, storage and shipping. The main dairy ingredients arrive at the plant in bulk tanks which are unloaded and washed to return for additional raw product. All other ingredients (such as liquid sugar) are handled in bulk and stored in stainless steel tanks.



Bulk storage tanks for liquid sugar.

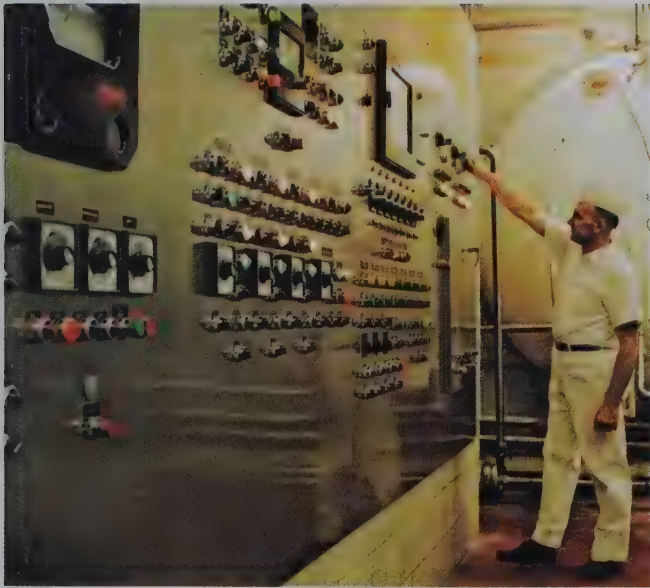


Dry storage facilities.

Fruits, flavours, packages, etc., are handled through the large dry storage department. All supplies are handled on pallets.



The ingredients for ice cream mix are automatically blended by a programmer.



Mix department automatic control panel.

The finished mix is then pumped to storage tanks. All equipment coming in contact with the product is made of stainless steel.



Stainless steel mix storage tanks.



Mix department processing equipment.



Mix department pasteurization equipment. (The lid of the balance tank is removed to show the product.)

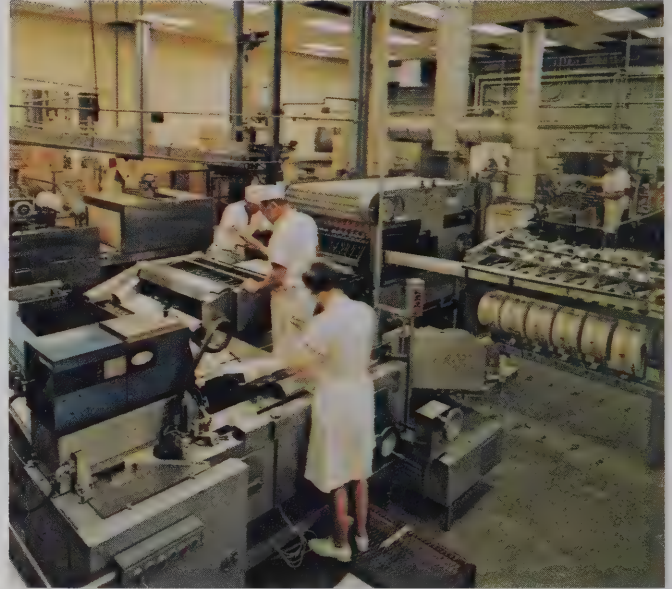


The large three barrel automated freezers produce ice cream on a continuous flow basis for packaged goods, bulk



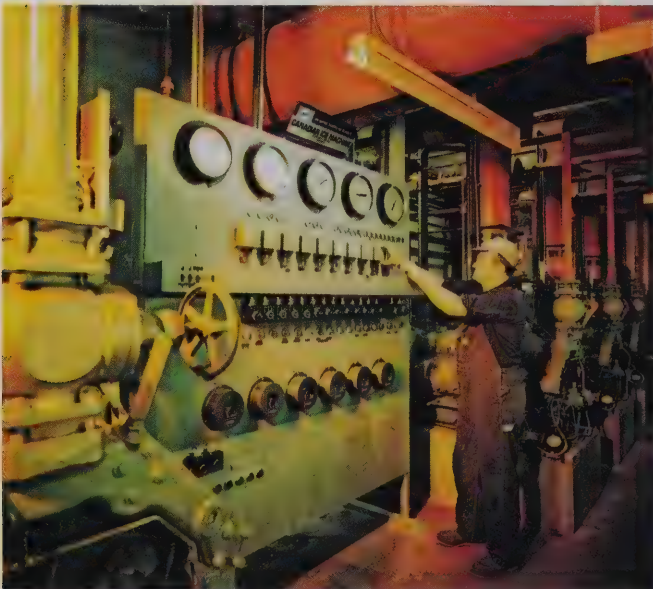
Freezer and packaging equipment.

and novelties. The fully automated novelty equipment produces approximately 2,200 dozen novelties per hour.



One of the automatic novelty manufacturing and packaging machines.

To handle the large manufacturing operations the plant uses extensive hydro, steam and refrigeration all of which



Refrigeration control system.

are controlled through the most up-to-date automated control equipment available.



High speed refrigeration compressors.



Quality control to the rigid standards set for our products is handled on a continuous basis through the extensive modern facilities in our quality control laboratory, maintained as an integral part of the operations of this plant.



Quality control laboratory.



Finished product storage.

Shipment of our products and receipt of incoming supplies is controlled through our centralized office located on the dock at the rear of the plant.



Electrical control system.



Shipping department.



# 401 Plant

The "401" plant as it is usually referred to within the Company, has been four years in building. Started in 1966, it has been gradually brought to a fully automated plant in successive stages of development to produce the extensive lines

of quality ice cream, ice milk and novelty products sold under the "Silverwood" name, and carrying on a tradition started in 1903 by the late Mr. A. E. Silverwood.









Silverwood's